



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
MARIA M. OMS

January 8, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Acting Auditor-Controller

SUBJECT: **NEW DIRECTIONS, INC. CONTRACT REVIEW – A COMMUNITY AND
SENIOR SERVICES WORKFORCE INVESTMENT ACT PROGRAM
PROVIDER - FISCAL YEAR 2007-08**

We completed a program, fiscal and administrative contract compliance review of New Directions, Inc. (New Directions or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with New Directions, a private non-profit community-based organization to provide and operate the WIA Adult Special Needs Program. The Program is a comprehensive training and employment program to assist low income adults with multiple barriers including substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. The types of services provided by New Directions include career planning, occupational skills, training and job placement. New Directions serves all five Districts.

New Directions was compensated on a cost reimbursement basis with a contract for \$69,206 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether New Directions complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Generally, New Directions maintained sufficient internal controls over its business operations and provided program services to eligible participants. However, New Directions did not implement ten (53%) of the 19 recommendations contained in our prior year's monitoring report, including repaying CSS \$18,828. New Directions also billed CSS an additional \$33,618 in unsupported and unallowable expenditures during the current monitoring review.

Details of our review, along with recommendations for corrective action plan, are attached.

Review of Report

We discussed our report with New Directions and CSS on September 30, 2008. In their attached response, New Directions concurred with our findings and agreed that they charged CSS for unsupported and unallowable expenditures and repaid \$14,129. The Agency also indicates that they are working with CSS to resolve the remaining \$38,317 (\$18,828 + \$33,618 - \$14,129) in questioned costs.

We thank New Directions for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Department of Community and Senior Services
Toni Reinis, Executive Director, New Directions, Inc.
Scott Sale, M.D., Chairperson, New Directions, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
NEW DIRECTIONS, INC.
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether New Directions, Inc. (New Directions or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten (56%) of the 18 participants that received services from July 2007 through December 2007 for documentation to confirm their eligibility for WIA services.

Results

All ten participants sampled met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether New Directions provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (56%) participants that received services from July 2007 through December 2007. We also interviewed three participants.

Results

The three participants interviewed stated that the services they received met their expectations. However, New Directions did not report all the participants' program activities, such as completion of the Individual Employment Plans or the exit dates of the participants, on the Job Training Automation (JTA) system for three (30%) of the ten participants sampled. The JTA system is used by the State of California Employment

Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.

Subsequent to our review, New Directions accurately updated one of the three participants' program activities into the JTA system and submitted a request to CSS to correct the program activities in the JTA system for the remaining two participants.

Recommendation

1. **New Directions management ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.**

PERFORMANCE OUTCOMES

Objective

Determine whether the Agency met the planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes for the second quarter to the planned performance outcomes outlined in the County contract and the program activities reported on the JTA system.

Results

New Directions' FY 2007-08 second quarter actual performance outcomes were accurately reported to the WIB. In addition, New Directions met all the FY 2007-08 second quarter planned performance outcomes outlined in the County contract.

Recommendation

There are no recommendations for this section.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's February 2008 bank reconciliation.

Results

New Directions maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether the program related expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for all 15 non-payroll expenditure transactions billed by the Agency for October, November and December 2007, totaling \$11,231.

Results

New Directions billed CSS \$6,230 in unsupported and unallowable expenditures. Specifically, New Directions:

- Billed CSS \$4,971 for non-WIA related expenditures.
- Did not maintain adequate documentation, such as receipts and lists of participants for whom the services were provided to support the program expenditures totaling \$750.
- Inappropriately billed CSS \$509 for FY 2006-07 expenditures in FY 2007-08.

Similar findings were also noted during the prior year's monitoring review.

Recommendations**New Directions management:**

2. Repay CSS \$6,230.
3. Ensure that CSS is billed only for WIA related expenditures.
4. Ensure that expenditures charged to the WIA program are adequately supported.
5. Ensure that expenditures charged to the WIA program are for costs incurred during the contract period.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, New Directions maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether New Directions' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed asset and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of all 16 items purchased with WIA funds, totaling \$13,149.

Results

New Directions used the 16 items purchased with WIA funding for the WIA program. However, in our prior year's monitoring report, New Directions disposed of six items totaling \$3,604 without updating the inventory listing or obtaining authorization from CSS. The Agency also did not properly tag two items with County property tags as required by the County contract.

During the current review, New Directions had not updated their inventory listing to accurately reflect the six items nor obtained retroactive approval for the disposal of the items. In addition, New Direction had not properly tagged the two items from the prior year's review and one additional item.

Recommendations**New Directions management:**

6. **Update the equipment and inventory listing to accurately reflect changes in disposition and/or location assignments.**
7. **Obtain retroactive authorization from CSS to dispose of the six items and ensure that prior authorization from CSS is obtained prior to disposing equipment for future disposals as required.**
8. **Ensure that inventory purchased with WIA funds are properly tagged with County property tags.**

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for one employee totaling \$2,504 for November 2007 to the Agency's payroll records and time reports. We also interviewed the one employee and reviewed personnel files for two employees assigned to the WIA program.

Results

New Directions appropriately charged payroll expenditures to the WIA program. In addition, New Directions' personnel files were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in October, November and December 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

New Directions' Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced New Directions' FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. In addition, we reviewed a sample of expenditures incurred in February, March, August, and September 2007. The FY 2006-07 WIA Adult Special Needs Program contract was extended through September 30, 2007.

Results

New Directions billed CSS \$27,388 in unallowable and unsupported expenditures. Specifically, New Directions:

- Billed CSS \$20,778 for non-WIA related expenditures.
- Did not maintain adequate documentation, such as Individual Training Account (ITA) agreements, receipts for the supportive services provided, original vendor invoices and Certificate of Training Completion to support the program expenditures, totaling \$6,610.

As previously indicated, similar findings were also noted during the prior year's monitoring review.

Subsequent to our review, New Direction agreed to repay CSS \$20,778 and provided additional documentation to support the remaining \$6,610 in unsupported expenditures. However, the documentation provided did not adequately support the program expenditures. Specifically, New Directions did not provide ITA agreements, invoices or receipts for the supportive services provided to support the program expenditures as required by the County contract.

Recommendation

Refer to recommendation 3 and 4.

9. New Directions management repay CSS \$27,388.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on March 12, 2008.

Results

The prior year's monitoring report contained 19 recommendations. New Directions implemented nine recommendations. As previously indicated, the findings related to recommendations 1, 4, 5, 6, 7 and 8 contained in this report were also in noted during prior year's monitoring review. The remaining four recommendations required the

Agency to repay CSS \$32,957 and to implement the outstanding recommendations from our FY 2005-06 monitoring report.

Subsequent to our review, New Directions repaid CSS \$14,129 of the \$32,957 in unsupported expenditures.

Recommendations

New Directions management:

- 10. Immediately repay CSS \$18,828 (\$32,957 - \$14,129).**
- 11. Implement the outstanding recommendations.**



NEW DIRECTIONS, INC.

11303 Wilshire Blvd., VA Bldg. 116

Los Angeles, California 90073-1003

Administration (310) 914-4045

Program (310) 914-5966

Fax (310) 914-5495

October 14, 2008

Wendy L. Watanabe, Acting Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 South Fremont Avenue, Unit #51
Building A-9 East, First Floor
Alhambra, CA 91803
Attention: Yoon Bae

Dear Ms. Watanabe:

In receipt of the Final Findings of the Administrative and Fiscal Contract Review for Fiscal Year 2007-2008, we would like to take this opportunity to respond to your results.

Eligibility

Results

- All ten participants sampled met the eligibility requirements for the WIA program.

Recommendations

- There are no recommendations for this section.

Corrections

- Not Applicable

Billed Services/Client Verification

Results

- The three participants interviewed stated that the services they received met their expectations. However, New Directions did not accurately report the participants' program activities, such as completion of the Individual Employment Plans or exiting the participants, on the Job Training Automation (JTA) system for three (30%) of the ten participants sampled. The JTA System is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review. Subsequent to our review, New Directions accurately updated one of the three participants' program activities into the JTA system and submitted a request to CSS to correct the program activities in the JTA system for the remaining two participants.

Recommendations

- New Directions management ensures that staff accurately updates the JTA system to reflect the participants' program activities.

Corrections

- We will ensure that staff accurately update the JTA system to reflect the participants program activities; as stated in our response dated 09/30/08, we sent an e-mail to CSS on 04/21/08 requesting that the records of the two remaining participants referred to above be amended accordingly since we no longer have access to those records.

Performance Outcomes

Results

- New Directions' FY 2007-08 second quarter actual performance outcomes were accurately reported to the WIB. In addition, New Directions met all the FY 2007-08 second quarter planned performance outcomes outlined in the County contract.

Recommendations

- There are no recommendations for this section.

Corrections

- Not Applicable

Cash/Revenue

Results

- New Directions maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendations

- There are no recommendations for this section.

Corrections

- Not Applicable

Expenditures/Procurement

Results

- New Directions billed CSS \$6,230 in unsupported and unallowable expenditures. Specifically, New Directions:
 - Billed CSS \$4,971 for non-WIA related expenditures.
 - Did not maintain adequate documentation, such as receipts and lists of participants for whom the services were provided to support the program expenditures totaling \$750.00.
 - Inappropriately billed CSS \$509 for FY 2006-2007 expenditures in FY 2007-08.

Recommendations

- Repay CSS \$6,230

Corrections

- As stated in our response dated 09/30/08:
 - We agreed that we inadvertently posted \$3,230 in expenses incurred in PY 2006-07 to PY 2007-08 and inadvertently billed CSS for \$1,741 in expenses for non-WIA participants; however, we also acknowledge that we incurred more expenses for WIA funded participants than our WIA contract allowed or "standing costs" and therefore would like to discuss some sort of repayment forgiveness as soon as possible.
 - We agreed that we inadvertently billed CSS \$750 in expenses for non-WIA participants; however, we also acknowledge that we incurred more expenses for WIA funded participants than our WIA contract allowed or "standing costs" and therefore would like to discuss some sort of repayment forgiveness as soon as possible.
 - We did not inappropriately bill CSS \$509.00 for FY 2006-2007 expenditures in FY 2007-08, but we did inappropriately bill CSS \$321.00 for FY 2006-2007 expenditures in FY 2007-2008 (the remaining \$188.00 in expenditures were both incurred and billed in FY 2007-2008); however, we also acknowledge that we incurred more expenses for WIA funded participants than our WIA contract allowed or "standing costs" and therefore would like to discuss some sort of repayment forgiveness as soon as possible.

Fixed Assets and Equipment

Results

- In the prior year's monitoring report, we indicated that New Directions disposed of six items totaling \$3,604 without updating the inventory listing or obtaining authorization from CSS. The Agency also did not properly tag two (13%) of the 15 items sampled with County property tags as required by the County contract. During

the current review, we noted that New Directions had not yet updated their inventory listing to accurately reflect the six items nor obtained retroactive approval for the disposal of the items. In addition, New Directions had not properly tagged the two items from the prior year's review and one additional item.

Recommendations

- Update the equipment and inventory listing to accurately reflect changes in disposition and/or location assignments
- Obtain retroactive authorization from CSS to dispose the six items and ensure that prior authorization from CSS is obtained prior to disposing equipment for future disposal as required.
- Ensure that inventory purchased with WIA funds is properly tagged with County property tags.

Corrections

- We updated the equipment and inventory listing to accurately reflect changes in disposition and/or location assignments and included that with our response dated 04/30/08.
- We will obtain retroactive authorization from CSS to dispose the six items and simply need the instructions on how to do so; we will ensure that we obtain prior authorization from CSS prior to disposing equipment as required in the future.
- We ensured that inventory purchased with WIA funds are properly tagged with County property tags with the exception of two items for which we requested County tags in our response dated 04/30/08.

Payroll and Personnel

Results

- New Directions appropriately charged payroll expenditures to the WIA program. In addition, New Directions' personnel files were properly maintained.

Recommendations

- There are no recommendations for this section.

Corrections

- Not Applicable

Cost Allocation Plan

Results

- New Directions' Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendations

- There are no recommendations for this section.

Corrections

- Not Applicable

Close-Out Review

Results

- New Directions billed CSS \$27,388 in unallowable and unsupported expenditures. Specifically, New Directions:
 - Billed CSS \$20,778 for non-WIA related expenditures.
 - Did not maintain adequate documentation, such as Individual Training Account (ITA) agreements, receipts for the supportive services provided, original vendor invoices and Certificate of Training Completion to support the program expenditures, totaling \$6,610. As previously indicated, similar findings were also noted during the prior year's monitoring review. Subsequent to our review, New Directions agreed to repay CSS \$20,778 and provided additional documentation to support the remaining \$6,610 in unsupported expenditures. However, the documentation provided did not adequately support the program expenditures. Specifically, New Directions did not provide ITA agreements, invoices or receipts for the supportive services provided to support the program expenditures as required by the County contract.

Recommendations

- Ensure that CSS is billed only for WIA related expenditures.
- Ensure that expenditures charged to the WIA program are adequately supported.
- Repay CSS \$27,388.

Corrections

- We tried to ensure that CSS was billed only for WIA related expenditures and agree that we inadvertently billed CSS for non-WIA related expenditures.
- We tried to ensure that expenditures charged to the WIA program were adequately supported and think that the additional documentation we submitted on 09/30/08 for the remaining \$6,610 in unsupported expenditures adequately supports those expenditures.
- We agreed that we either inadvertently posted expenses incurred in PY 2006-07 to PY 2007-08 or billed CSS for expenses for non-WIA participants for a total of \$20,778; however, we also acknowledge that we incurred more expenses for WIA funded participants than our WIA contract allowed or "standing costs" and therefore would like to discuss some sort of repayment forgiveness as soon as possible.

Prior Year Follow-Up: FY 2005-2006

Results

- The prior year's monitoring report contained 19 recommendations. New Directions implemented nine recommendations. As previously indicated, the findings related to recommendations 1, 4, 5, 6, 7 and 8 contained in this report were also noted the during prior year's monitoring review. The remaining four recommendations required the Agency to repay CSS \$32,957 and to implement the outstanding recommendations from our FY 2005-06 monitoring report. Subsequent to our review, New Directions repaid CSS \$14,129 of the \$32,957 in unsupported expenditures

Recommendations

- Immediately repay CSS \$18,828 (\$32,957-\$14,129).
- Implement the outstanding recommendations.


Corrections

- Regarding the \$18,828
 - For \$17,445 of the \$18,828, we found and supplied additional supporting documentation on 09/30/08 to prove that a WIA participant was in the Culinary Skills Class at the Los Angeles Trade-Technical College (LATCC) during the time period covered by the invoice (10/01/05-12/31/05); however, there is no acknowledgement that the supporting documentation was reviewed and accepted.
 - For the remaining balance of \$1,383, we justified \$540 of the expenditures in our response dated 08/01/08;
 - For the remaining balance of \$843, we agree that we did not provide supporting documentation for the payroll expenditures; however, we also acknowledge that we incurred more expenses for WIA funded participants than our WIA contract allowed or "standing costs" and therefore would like to discuss some sort of repayment forgiveness as soon as possible.
- As stated in the corrections above, we will implement the outstanding recommendations.

Finally, as requested, the name of our Chairperson of the Board of Directors is Scott Sale, MD; since we have more than five Board members we understand that you only want the name of the Chairperson instead of the names of the all of the Board members.

If you have any questions please contact Achée Stevenson via e-mail at astevenson@ndvets.org or via voicemail at 310-914-4045, extension 109.

Sincerely,


Toni Reims
Executive Director